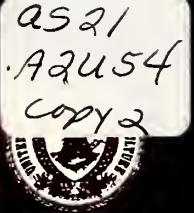


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United States
Department of
Agriculture

Office of
the Secretary

Office of
the Chief
Financial
Officer

Secretary's Management Report

October 1, 1993-March 31, 1994



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

June 13 1994

MESSAGE FROM THE SECRETARY

I remain committed to a more efficient, cost effective, and service driven Department of Agriculture. Team USDA continues to move forward with plans to put the new technology and systems in place to change the way we do business.

A key element of this change must be greater managerial accountability. Timely implementation of audit recommendations and appropriate followup greatly reduce opportunities for fraud, waste, abuse, or mismanagement and are important tools for ensuring financial integrity and accountability.

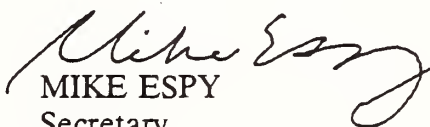

MIKE ESPY
Secretary

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AGENCY ABBREVIATIONS

AMS	Agricultural Marketing Service
ASCS	Agricultural Stabilization and Conservation Service
APHIS	Animal and Plant Health Inspection Service
CCC	Commodity Credit Corporation
CSRS	Cooperative State Research Service
ES	Extension Service
FAS	Foreign Agricultural Service
FmHA	Farmers Home Administration
FCIC	Federal Crop Insurance Corporation
FNS	Food and Nutrition Service
FS	Forest Service
FSIS	Food Safety and Inspection Service
OGC	Office of the General Counsel
OIG	Office of Inspector General
OICD	Office of International Cooperation and Development
OIRM	Office of Information Resources Management
REA	Rural Electrification Administration
RDA	Rural Development Administration

EXECUTIVE SUMMARY

Background

The Secretary's Management Report to the Congress is required by the Inspector General Act Amendments of 1988. The Amendments require that the Secretary report on the status of management decisions and final actions taken on audit recommendations. This is the tenth report issued by the Department of Agriculture (USDA) and covers the 6-month period October 1, 1993 through March 31, 1994. The report reflects management's implementation of audit recommendations contained in audit reports issued by the USDA Office of Inspector General (OIG) and explains why action on audits remains incomplete 1 year from the management decisions. It complements the OIG Semiannual Report to the Congress which includes data on audit reports issued and the status of management decisions made during this 6-month period.

Universe of Audits

Over the past 6 months, the Office of Finance and Management monitored and analyzed 382 audits with 3,048 recommendations. These audits contained approximately \$143 million in costs that management determined should not be charged to the Department's programs (disallowed) and approximately \$1.4 billion in funds which management agreed could be used more efficiently (funds to be put to better use).

Final Actions

Disallowed Costs - Management completed action on 59 audit reports with 144 recommendations. As a result, over \$18.7 million was recovered in disallowed costs and approximately \$1.5 million was written off in funds that management determined to be uncollectible due to bankruptcies, excessive cost of collections, legal decisions, or terminations in program participation.

Funds To Be Put To Better Use - Management implemented action on 20 audits with over \$9.7 million in funds they determined could be used more efficiently and determined that approximately \$598 thousand could not be used more efficiently. As a result of final action taken on seven individual audit recommendations, management also implemented recommendations containing over \$277 million they determined could be used more efficiently.

Audits Without Final Action

As of March 31, 1994, 281 audits containing 2,339 recommendations are without final action. These audits contain over \$123.4 million in disallowed costs and over \$1.4 billion in funds which management agreed could be put to better use.

Of the 281 audits, 117 with 1,167 recommendations do not have final action on the entire audit 1 year from the management decision. Explanations for these audits are contained in Appendix 1 to this report. Many of the management decisions to effect corrective action on these audits involve development of long-term automated system changes, regulations, and directives; legal implications; actions by non-USDA agencies; and time-consuming collection processes. Of the 117 audits, management took action on 802 recommendations containing approximately \$36.7 million in disallowed costs and approximately \$457.1 million in funds to be put to better use.

Audits Under Appeal or Requiring a Legislative Solution

There are 13 audits containing 123 recommendations either under appeal or requiring a legislative solution to effect final action. Although the appeal and legislative processes preclude final action on these audits in their entirety, management completed action on 53 recommendations containing approximately \$3.4 million in funds OIG recommended could be put to better use.

**FINAL ACTION ON AUDITS AND AUDIT RECOMMENDATIONS
WITH DISALLOWED COSTS FOR THE 6-MONTH PERIOD
October 1, 1993 - March 31, 1994**

The chart on the following page depicts the overall status of audits with disallowed costs for this reporting period. As of October 1, 1993, final action was in process but not complete on 147 audits with \$131,879,779 in disallowed costs. Management decisions were made during the period on 64 audits with \$11,776,551 in disallowed costs. Management implemented action on 59 audits, recovering \$18,786,124 in costs that should not be charged to USDA programs and writing off \$1,497,050 in uncollectible debts due to bankruptcies, excessive cost of collections, legal determinations, or terminations in program participation. Additionally, agencies collected \$405,778 and wrote off \$218,797 as a result of final action taken on eight individual audit recommendations.

**Final Action on Audits And Audit Recommendations
With Disallowed Costs
October 1, 1993 - March 31, 1994**

	Disallowed Costs	
	Number of Audit Reports	Dollars
A. Management decisions with no final action as of October 1, 1993	147	131,879,779
B. Management decisions during the period	64	11,776,551
C. Total management decisions (A + B)	211	143,656,330
D. Final action on audit reports	59	20,232,760 ¹
1. Recoveries		
(a) Collections		8,102,103
(b) Other		10,684,021
(c) Property in lieu of cash		
2. Writeoffs		1,497,050
3. Subtotal (1 + 2)		20,283,174 ²
E. Audit reports needing final action as of March 31, 1994 (C - D)	152	123,423,570
	RECOMMENDATIONS	
F. Final action on audit recommendations	8	624,575
1. Recoveries		
(a) Collections		
(b) Other		405,778
2. Writeoffs		218,797
3. Subtotal (1 + 2)		624,575
G. Total final action taken during the period (D + F)		20,857,335

¹This amount was reduced by \$534,744 due to documentation obtained to support the costs and appeals.

²Agencies recovered an additional \$585,023 not identified in OIG audit reports.

**FINAL ACTION ON AUDITS AND AUDIT RECOMMENDATIONS
WITH FUNDS TO BE PUT TO BETTER USE FOR THE 6-MONTH PERIOD
OCTOBER 1, 1993 - MARCH 31, 1994**

The chart on the following page depicts the overall status of audits with funds to be put to better use for this reporting period. As of October 1, 1993, final action was in process but not complete on 64 audits with \$1,386,689,941 in funds recommended to be put to better use. Management decisions were made during the period on 14 audits with \$20,388,710. Management implemented action on 20 audits containing \$9,715,679 in funds to be put to better use. Recommendations for \$598,632 were not implemented. Additionally, agencies took final action on \$277,604,738 contained in seven individual audit recommendations.

**Final Action on Audits and Audit Recommendations
With Funds To Be Put To Better Use
October 1, 1993 - March 31, 1994**

	Funds To Be Put To Better Use	
	Number of Audit Reports	Dollars
A. Management decisions with no final action as of October 1, 1993	64	1,386,689,941
B. Management decisions made during the period	14	20,388,710
C. Total management decisions (A + B)	78	1,407,078,651
D. Final action on audit reports	20	10,359,311 ¹
1. Value of recommendations implemented		9,715,679
2. Value of recommendations not implemented		598,632
3. Subtotal (1 + 2)		10,314,311
E. Audit reports needing final action as of March 31, 1994 (C - D)	58	1,396,719,340
	RECOMMENDATIONS	
F. Final action on audit recommendations	7	277,604,738
1. Value of recommendations implemented		277,596,428
2. Value of recommendations not implemented		8310
3. Subtotal (1 + 2)		277,604,738
G. Total final action taken during the period (D + F)		287,964,049

¹This amount was reduced by \$45,000 due to a contractor officer's decision.

AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION

The table on the following page reflects 13 audits either under appeal or for which a legislative solution is necessary to effect final action. These audits contain recommendations involving \$6,580,912 in disallowed costs and \$383,509,056 in funds to be put to better use. Although the appeal and legislative processes preclude final action on these audits in their entirety, management completed action on 53 recommendations with \$3,400,600 in funds OIG recommended could be put to better use.

AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION OCTOBER 1, 1993 – MARCH 31, 1994

Agency	Administrative Appeal	Judicial Appeal	Legislative Solution	Disallowed Costs (Dollars)	Funds To* Be Put To Better Use (Dollars)
ASCS	4	0	0	1,825,625	60
FMHA	0	0	4	0	381,763,90
FCIC	0	1	0	4,755,287	244,20
FS	0	3	0	0	1,068,68
SCS	1	0	0	0	431,66
TOTAL	5	4	4	6,580,912	383,509,05

*Of this amount, action is complete on \$3,400,600.

APPENDIX 1
AGENCY AUDITS WITHOUT FINAL ACTION 1 YEAR
FROM THE MANAGEMENT DECISION DATE

Agencies did not complete corrective action within 1 year on 117 audits. The 92 audits indicated with an asterisk (*) were in the report for the period April 1 through September 30, 1993. Some audits contain multiple recommendations affecting the completion of final action. These include complex automated system changes, collection activities, development and implementation of regulations or directives, legal implications, investigations, actions to be taken by organizations other than USDA, and other time-consuming corrective action to implement the management decisions. The 117 audits contain 1,167 recommendations; action is complete on 802 recommendations with \$36,673,962 in disallowed costs and \$457,077,422 in funds to be put to better use.

**AGENCY AUDITS WITHOUT FINAL ACTION
1 YEAR FROM THE MANAGEMENT DECISION DATE
(DOLLARS)**

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
AGRICULTURAL MARKETING SERVICE				
Cotton Research and Promotion Program, Cotton Board #01045-4-AT*	3/9/89	380,101 (21,204)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending a legal determination on the disallowed costs.
Financial Review at Federal Inspection Offices #01061-12-AT*	4/20/92	0	251,573 (251,573)	The audit has three recommendations of which one is complete. The remaining findings are that AMS implement an automated billing system and remote data entry. A shortage of Agency resources and development of the automated system are delaying final action.
Dairy Grading and Inspection Activities #01061-12-CH*	3/29/91	0	0	The audit has 19 recommendations of which 16 are complete. The remaining findings are that AMS develop a system to track dairy plant sanitary deficiencies, establish timeframes to correct the deficiencies, and develop criteria to rate the sanitary conditions of the plants. Final action is delayed due to staff turnover.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
Retailer Monitoring #01061-13-CH*	3/31/92	0	0	The audit has six recommendations of which five are complete. The remaining finding is that AMS request a legal opinion on application of penalties for Public Law 272 violators under existing laws. A legal opinion is delaying final action.
Management of the Shipping Point Inspection Program #01061-16-AT	9/30/92	0	0	The audit has nine recommendations of which six are complete. The remaining findings are that AMS revise internal review procedures to include evaluations of Federal-State Inspection Agencies (FSIA's) fiscal operations and interest earned and provide FSIA's with instructions and guidance on the level of operating reserve funds. Limited resources and the negotiation of amended cooperative agreements with the FSIA's delayed final action within 1 year.
AMS Subtotal		380,101 (21,204)	251,573 (251,573)	
AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE				
Pennsylvania State and County Office Administration #03001-47-HY*	3/30/90	328,762 (4,297)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
1989 Emergency Crop Loss Assistance, Orleans County, New York #03012-2-HY*	8/1/91	146,284 (67,699)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
Improved Controls and Oversight Would Reduce Losses to the CCC on Settlement Actions on Adverse Warehouse Cases #03091-19-FM*	8/8/90	284,000 (0)	0	The audit has 55 recommendations of which 54 are complete. The remaining finding is that ASCS update handbooks and contract provisions pertaining to warehouse operations and examinations. Revisions to procedures and handbooks are delaying final action.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
Controls Over ASCS/CCC Claims, Collection and Debt Management Activities Kansas City, Missouri and Washington, D.C. #03091-338-FM	9/30/92	7,891 (0)	4,637,534 (3,575,000)	The audit has 15 recommendations of which 12 are complete. The remaining findings are that ASCS develop an automated claims system for Kansas City Commodity Office (KCCO) commodity operations, establish written procedures to process accounting transactions affecting claim amounts shown on the Financial Management System, and revise Title 7 CFR to provide that debtors with delinquent debts be assessed an interest charge based on the current value of Treasury funds plus an additional amount to help offset the administrative overhead for processing delinquent debts. Implementation of an automated claims and debt management system for commodity operations is delaying final action.
Payment Limitation Requirements, Idaho #03099-59-SF*	11/27/90	433,320 (99,129)	1,011,080 (0)	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
1988 Disaster Program, Michigan #03099-81-CH*	1/12/90	757,372 (24,412)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
Emergency Conservation and Feed Program Claims, Caddo Parish, Louisiana #03099-137-TE*	8/25/89	9,767 (9,767)	3,750 (0)	The audit has three recommendations of which one is complete. The remaining findings are that ASCS review the facts presented and recover the payments made to the producer. Final action was delayed pending the results of legal action filed by the producer against the Secretary of Agriculture. The court upheld the Department's position and ASCS continues to pursue collections.
CCC-Debt Management Initiatives #03099-141-AT*	5/28/91	0	0	The audit has four recommendations of which one is complete. The remaining findings are that ASCS prioritize and report delinquent debt to credit bureaus, ensure that implementation timeframes are met, notify Congress of ASCS/CCC intent to refer delinquent debts to private collection agencies, develop referral procedures and timeframes to complete implementation, and revise selection criteria to screen eligible debts delinquent more than 1 year for Federal tax refund offset. Final action is delayed pending the implementation of a system to report delinquent debts to credit bureaus.
Disaster Program Payments, Arkansas #03099-149-TE*	11/8/91	625,353 (504,052)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs and completion of three OIG investigations.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
Payment Limitation for Related Farming Operations, Kansas #03099-156-KC*	6/11/91	178,145 (57,854)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
Payment Limitations for 1987, Idaho #03600-1-SF*	5/19/89	1,118,793 (628,862)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
Internal Administrative Controls for Program Operations #03600-7-KC*	6/29/90	0	0	The audit has six recommendations of which four are complete. The remaining findings are that ASCS conduct cost benefit risk analyses to determine the scope of program compliance and implement procedures to require the use of these analyses to determine the methodologies and techniques used to accomplish internal control objectives. Development of handbooks is delaying final action.
Emergency Crop Loss Assistance #03600-8-CH*	6/6/91	10,709 (925)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
Audit of CCC Financial Statements #03600-8-FM*	5/29/92	2,925 (0)	0	The audit has 10 recommendations of which 9 are complete. The remaining finding is that ASCS direct the State Office to strengthen oversight over those offices where staffing levels limit proper separation of duties. Development of procedures is delaying final action.
Audit of CCC FY 1991 Financial Statements #03600-9-FM	9/30/92	0	0	The audit has four recommendations of which three are complete. The remaining finding is that ASCS increase coverage of cited areas during oversight reviews. Design and implementation of enhancements to the ASCS automated claims system is delaying final action. Completion is scheduled for September 1995.
Audit of the 1988 Livestock Feed Program in Texas #03600-11-TE	6/21/90	613,943 (188,352)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
1989 Payment Limitation Operations, Arizona #03600-13-KC*	9/30/91	3,611,182 (380,002)	0	All administrative and corrective actions are complete on this audit. Completion of bankruptcy proceedings is delaying final action.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
1989 Disaster Assistance Program, Frio County, Texas #03600-18-TE*	5/22/91	131,077 (82,585)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
1989 Payment Limitation Cases, Liberty County, Texas #03600-23-TE*	1/14/92	247,254 (4,801)	6,665 (0)	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
Large Payments for 1986, R.C. Farming Partnership #03645-11-SF*	4/20/89	825,096 (825,096)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
Audit of Large Payments for 1986 La Reata Farms #03645-17-TE	6/2/89	1,289,513 (1,289,513)	27,232 (0)	All administrative and corrective actions are complete on this audit. Completion of bankruptcy proceedings is delaying final action.
ASCS Subtotal		10,621,386 (4,167,346)	5,686,261 (3,575,000)	

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
FARMERS HOME ADMINISTRATION				
Implementation of Nine Point Credit Management Program #04006-2-AT*	8/10/88	0	0	The audit has 24 recommendations of which 21 are complete. The remaining findings are that FmHA report delinquent debts to credit bureaus, use Office of Management and Budget (OMB) and Treasury guidelines to report debt information, develop an automated system for cases referred to the Department of Justice (DOJ), and implement recommendations resulting from the caseload reconciliation project. Final action is delayed pending the development of software to implement the automated tracking system.
Collection Systems and Other Selected Areas #04099-72-FM*	9/28/90	313 (0)	254,273 (1,430)	The audit has 12 recommendations of which 9 are complete. The remaining findings are that FmHA revise procedures to meet Internal Revenue Service (IRS) requirements, develop an automated mechanism to issue forms to IRS and to individuals receiving income from sales of acquired property, require reappraisals when FmHA appraisals indicate a decline in market values, and amend procedures to request income tax refund offset on defalcation accounts and report the accounts to IRS. Software implementation is delaying final action.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
Debt and Loan Restructuring System and Related Systems Modifications #04099-74-FM*	9/25/90	0	0	The audit has six recommendations of which five are complete. The remaining finding is that FmHA clarify whether loans of the same type, but with different interest rates, should be consolidated. Other assignments with higher priorities are delaying final action.
Rural Housing Interest Credit Operations Commonwealth of Puerto Rico, San Juan, Puerto Rico #04099-77-HY	10/30/91	12,916 (10,348)	0	The audit has 11 recommendations of which 9 are complete. The remaining findings are that FmHA recover unauthorized interest credit from two borrowers. Bankruptcy and prosecution proceedings are delaying final action.
Paradise Mills Estate, Virgin Islands #04099-79-HY*	4/9/92	0	249,327 (9,805)	The audit has 15 recommendations of which 7 are complete. The remaining findings are that FmHA require the borrower to develop and implement procedures to ensure that loan resolutions, agreements, and mortgage requirements are followed; apply remaining fund balances to the loan; document future direct funding in the annual budget and financial report; initiate corrective action on the areas identified by Certified Public Accountant (CPA) reports; reconcile bank statements monthly; develop and implement separation of duty procedures over cash

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
				collections; advise the borrower of non-monetary default on the loan; and require the borrower to obtain and maintain property insurance. The Government of the Virgin Islands and the Federal Emergency Management Agency are assisting to reconstruct and rehabilitate the building complex. The anticipated completion date for reconstruction and rehabilitation is February 1995.
Evaluation of Selected Information Resource Management and Other Procurements #04099-87-FM*	9/30/91	0	2,129,250 (0)	The audit has 13 recommendations of which 10 are complete. The remaining findings are that FmHA complete an analysis of information needs, either correct deficiencies in planning documents or obtain management approval for any deviations from established requirements, notify OMB before making material revisions to the budget and provide supporting documentation, and provide cost-benefit analyses to OMB for major acquisitions. Development of the FmHA and RDA Information Strategic Plan (ISP) is delaying final action.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
Rural Rental Housing Program, Servicing of HUD Section 8/515 Projects, East Lansing, Michigan #04099-101-CH	10/7/92	242,174 (0)	491,107 (186,296)	The audit has eight recommendations of which six are complete. The remaining findings are that FmHA cancel or collect coverage from unneeded interest credit agreements, emphasize to borrowers the need to meet their loan agreements fully and not make reserve account withdrawals without prior approval from FmHA, and ensure that borrowers restore proper balances to reserve accounts. Possible foreclosure and collection of overage are delaying final action.
Management of Six Rural Rental Housing Projects, Montana #04099-116-KC*	3/4/91	1,484,131 (1,484,131)	0	The audit recommended that FmHA coordinate with OGC and OIG on servicing actions to minimize losses and the potential for criticism of the Government; require collection of unauthorized withdrawals and interest; require the borrower to restore proper balances to the reserve and operating accounts; review the propriety of management fees, repair, and travel expenses; initiate debarment proceedings; require the borrower to fund tenant security deposit accounts and to account for deposits and withdrawals; follow proper accounting procedures for determining and reporting laundry and miscellaneous income; provide for a CPA audit of all accounts after 1985 and submit past-due management

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
				reports; resolve the unauthorized liens against the FmHA loan collateral; pay delinquent taxes; and establish and fund a tax escrow account for projects. Foreclosure proceedings are delaying final action.
Debt Management of Defaults on Guaranteed Loans #04099-118-TE*	6/11/87	0	0	The audit has two recommendations of which one is complete. The remaining finding is that FmHA modify Instruction 1980-A to include procedures to monitor the recovery and collection actions of lenders subsequent to payment of loan guarantee loss claims. Priority level assignments at OMB are delaying final action.
Management of Two Rural Projects, North Dakota #04099-119-KC*	9/6/91	885,169 (872,298)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of the documentation which identifies full disposition of the disallowed costs.
Rural Rental Housing Cost Certification for a Borrower with an Identity of Interest, Alexandria, Louisiana #04099-187-TE	11/3/92	56,888 (56,888)	0	The audit has five recommendations of which three are complete. The remaining findings are that FmHA recover loan funds credited to the borrower/contractor's initial investment and apply it against the loan. FmHA has notified the borrower of his appeal rights in connection with the demand letter previously issued. The borrower's response is delaying final action.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
Rural Rental Housing Cost Certification for Louisiana #04099-195-TE	12/17/92	17,658 (17,658)	0	The audit recommended that FmHA recover the overpayment from the supervised bank account and review other FmHA projects completed by the contractor after January 1985 to determine excess profits. FmHA is in the process of notifying the borrower of his appeal rights in connection with a demand letter previously issued.
Rural Housing Loans on Manufactured Homes #04099-284-AT*	8/16/89	0	0	The audit has two recommendations of which one is complete. The remaining finding is that FmHA use no higher than average quality cost factors to appraise manufactured houses. Final action is delayed pending OMB's review of the revised regulation.
Rural Rental Housing Program, Lexington, Kentucky #04099-299-AT*	9/28/90	181,592 (181,592)	716,034 (0)	The audit has 15 recommendations of which 12 are complete. The remaining findings are that FmHA recover excess loans, reduce loan amounts when overhead costs and profits exceed approved amounts, monitor compliance with disclosure of identities-of-interest requirements, review loan documents and certifications, and require contractors to explain differences between estimated and actual costs prior to closing loans. Development of regulations is delaying final action.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
Contracting for Program and Automated Data Processing Services #04099-321-AT	8/24/92	0	0	The audit has eight recommendations of which six are complete. The remaining findings are that FmHA review the staff levels in Puerto Rico, reduce the staff appropriately, and revise the staffing allocation process to include consideration of workload performed by contractors. Final action is pending on the decision whether the contract will be renewed after its expiration date.
Incurred Cost Audit of Rural Opportunities #04545-31-HY	9/8/92	1,158 (1,158)	0	The audit recommended that FmHA deduct the questioned costs from the final invoice. FmHA has requested a final voucher and a completed Release of Claims form from the contractor. This is delaying final action.
Rural Rental Housing Program Compliance #04600-1-SF*	8/17/89	0	0	The audit has eight recommendations of which six are complete. The remaining findings are that FmHA require the borrower to submit audited financial statements for each Rural Rental Housing (RRH) project, review management fee expenses for the years not reviewed by OIG, and require the borrower to correct any overcharges found. An OIG investigation of the borrower is delaying final action.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
Rural Rental Housing Program, Harrisburg, Pennsylvania #04600-2-HY*	10/4/90	0	0	The audit has 22 recommendations of which 21 are complete. The remaining finding is that FmHA obtain data to set fair and equitable management fees. Issuance of a management letter establishing management fee policy is delaying final action.
1988 Drought Emergency Loss Loans in Texas #04600-2-TE*	12/26/89	38,750 (2,894)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
Rural Area Eligibility Designations #04600-4-AT*	12/5/89	0	0	The audit has seven recommendations of which four are complete. The remaining findings are that FmHA revise its regulations to require more reviews when rapid development affects existing boundary lines, require contacts with local planning officials and documentation of planned development which impacts boundary determinations, further define land types and uses that qualify as open space, and specify that boundary designations include required open spaces within the ineligible nonrural areas. Final action is delayed pending OMB's review of FmHA Instruction 1944-A.

Report Title	Date Issued	Disallowed Costs Total (Remaining)	Funds To Be Put To Better Use Total (Remaining)	Reason Final Action Incomplete
Rural Rental Housing Program, California #04600-5-SF*	10/19/90	0	0	The audit has 13 recommendations of which 12 are complete. The remaining finding is that FmHA process paperwork to approve changes in the reorganized partnerships. The review of documentation from the partnerships is delaying final action.
Guaranteed Loan Interest Rate Buydown Program #04600-7-AT*	3/29/90	0	0	The audit has nine recommendations of which six are complete. The remaining findings are that FmHA require lenders to submit appropriate documents for approval; establish procedures for review of cash flow items during internal reviews; and establish procedures to require lenders to certify before loan closing that off-farm income, farm debts, and ASCS payments were verified and crop yields were based on 5-year average yields for other sources. Issuance of Form 449-23, Guaranteed Loan Evaluation, is delaying final action.
FmHA FY 1990 Financial Statements #04600-9-FM*	9/30/91	0	0	The audit has nine recommendations of which eight are complete. The remaining finding is that FmHA ensure timely development and implementation of the loan tracking system and establish procedures to identify delinquent or defaulted borrowers and lenders with a

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				history of repurchased loans and/or loss payments. Final action was delayed while awaiting Department approval to provide maintenance of the existing system and develop a replacement system.
Rural Rental Housing Construction Activities, Alexandria, Louisiana #04600-9-TE	4/10/92	269,241 (266,012)	0	The audit has 10 recommendations of which 9 are complete. The remaining finding is that FmHA recover loan funds credited to the borrower/contractor's initial investment and apply it against the loan. The borrower's response to his appeal rights is delaying final action.
Financial Statement Audit, Fiscal Year 1991 Management Issues #04600-12-FM	9/30/92	0	0	The audit has 11 recommendations of which 10 are complete. The remaining finding is that FmHA perform a study to address the changes needed in the current accounting systems to produce and report financial information. Development and approval of the ISP is delaying final action.
Administrative Appeal Procedures #04600-13-AT*	3/27/91	0	0	The audit has 14 recommendations of which 11 are complete. The remaining findings are that FmHA revise its regulations to address the weighing of oral and documentary evidence and the relevance of FmHA actions or inactions that are not related to the issues under appeal;

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				to provide that hearing officers (HO) may not evaluate decisions based on criteria not contained in FmHA regulations or overturn FmHA decisions based solely on the appellant's unsupported oral testimony; to provide complete procedures for reviews of nonappealable decisions; to clarify when new information may and may not be used in an appeal; to require HO decisions to cite FmHA regulations, where appropriate; and to delete the provision allowing appeal decisions based on the HO's general knowledge. Final action is delayed pending revision of regulations.
Rural Rental Housing Program, Columbus, Ohio #04600-13-CH*	3/22/91	0	89,641 (37,408)	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
Rural Rental Housing Program Construction Activities, Indiana #04600-23-CH	5/11/92	0	0	The audit has 14 recommendations of which 12 are complete. The remaining findings are that FmHA initiate debarment or suspension actions against the independent auditors and expand State evaluation reviews of district office operations to include procedures related to RRH construction. Final action is pending a change in the management decision and a revised format for State evaluation reviews.

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Rural Rental Housing Program Construction Activities #04600-25-CH*	5/11/92	0	0	The audit has 17 recommendations of which 3 are complete. The remaining findings are that FmHA prohibit the payment of profit to a second party acting as the contractor; establish procedures to ensure that excessive costs are not charged to RRH projects; include family and indirect affiliations in the definition of related party relationships; prohibit borrowers and contractors from using related party companies and negotiated contracts in RRH construction projects; contract with independent accounting firms to perform cost certification audits and to evaluate general contractor accounting systems prior to construction; clarify regulations to require a comparison between actual and estimated costs; develop criteria to specify the allowability of trade-item variances; establish a tolerance level whereby significant trade-item variances will require written documentation to justify differences; clarify procedures for comparing estimated and actual costs to determine general requirements, general overhead, and builder's profit; develop a standardized worksheet for the analysis and comparison of estimated and actual costs; and revise the State Evaluation Review Guide to provide more comprehensive coverage of RRH construction activities. FmHA is revising its instructions to include the analysis between estimated and actual cost, procedures to be used

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				by CPA's for cost certification purposes, and the evaluation of contractors' accounting systems. The clearance and publication of regulations and the State Evaluation Review Forms are delaying final action.
Nationwide Audit of County Office Operations #04642-1-TE*	7/16/85	0	0	The audit has 48 recommendations of which 45 are complete. The remaining findings are that FmHA improve controls over interest credit recapture operations. The development and publication of FmHA Instruction 1951-I are delaying final action.
Farmer Program Guaranteed Loans #04665-2-TE*	9/29/88	0	483,405,395 (349,800,000)	The audit has 17 recommendations of which 14 are complete. The remaining findings are that FmHA obtain statements from lenders indicating that they reviewed the borrower's financial information and could not consider giving the borrower a loan, implement policies and procedures to collect debts on defaulted loans, and computerize controls to detect and prevent borrowers who default on loans from obtaining loans without repayment of the defaulted loans. Publication of regulations and development of the ISP are delaying final action.

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Nationwide Review of Selected Program Areas #04669-2-FM*	9/29/89	0	1,597,300 (1,056,000)	The audit has 12 recommendations of which 10 are complete. The remaining findings are that FmHA closely monitor the timeliness of processing Interest Credit Agreements (ICA's), prepare quarterly reports to identify field offices which do not renew or cancel ICA's in a timely manner, and incorporate edit checks into automated systems to identify questionable loan interest rates. Implementation of software is delaying final action.
Debt Restructuring for Delinquent Borrowers Implementation of Primary Loan Service Programs #04673-7-SF	6/27/91	0	0	The audit has 26 recommendations of which 6 are complete. The remaining findings are that FMHA instruct County Offices (CO's) to request a recent copy of the borrower's Federal income tax return as part of the borrower's loan servicing application; discuss farming operations with the borrower prior to the final servicing action; clarify procedures for calculating production and living expenses when the base year used differs from the base year used to determine percentage changes; issue instructions clarifying that the borrowers' plans of operation should be reviewed for 5 subsequent years and that Farm and Home Plans are prepared for the year after the deferral period; provide training on net recovery value calculations and on the reconciliation field notes to final appraisal reports, real estate, and chattels; determine in

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				<p>years the remaining useful life of buildings and list this time period on the appraisal form; develop a system of second-party reviews of appraisals and net recovery value calculations to insure information is consistent and accurate; develop guidance to ensure that the level of security is determined on a loan-by-loan basis; provide training to assure that loans are rescheduled or reamortized over the maximum allowable period; develop a checklist to assist in completing and documenting reviews of the Debt and Loan Restructuring System (DALR\$) input data; issue instructions clarifying procedures for completing Shared Appreciation and Net Recovery Buyout Recapture Agreements; develop procedures to download discount rates, current interest rates, and net recovery values into DALR\$ when changes are made by the national or State offices; clarify regulations on tax liability when determining the borrower's ability to receive cash after debt restructuring; notify borrowers of the requirement to provide FmHA with estimates of tax liability resulting from debt writedown; require CO's to perform tests on the amount of tax liability estimated by borrowers; determine the dollar level which becomes cost beneficial to pursue revising debt-restructuring decisions; and request OGC's opinion on whether FmHA has legal</p>

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				recourse to change an improper debt-restructuring decision for a borrower who has received a net recovery buyout. Issuance of administrative notices and publication of regulatory changes are delaying final action.
Unauthorized Use of FmHA Inventory Farm Property #50099-20-AT*	5/17/89	498,612 (487,370)	0	The audit has four recommendations of which three are complete. The remaining finding is that FmHA consult with OGC to determine whether there is legal recourse to seek compensation from trespassers. The U.S. Attorney filed suit against the trespasser in Louisiana. This is delaying final action.
Audit Report on Hoopa Valley Tribe, California, for the Fiscal Year Ended September 30, 1990 #50568-485-SF	9/23/92	8,974 (8,974)	0	The audit has three recommendations of which one is complete. The remaining findings are that FmHA establish complete individual files on program recipients applying for Housing Preservation Grant assistance and assure that program recipients' incomes do not exceed the low-income eligibility limit. The establishment of files and the review of recipient eligibility are delaying final action.
FmHA Subtotal		3,697,576 (3,389,323)	488,932,327 (351,090,939)	

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FEDERAL CROP INSURANCE CORPORATION				
Administration of Claims and Appeals #05002-1-TE*	1/18/91	0	0	The audit has 11 recommendations of which 9 are complete. The remaining findings are that FCIC establish uniform procedures and systems to handle appeals and by individual insurers or by reinsurance companies and develop and implement procedures to help ensure the independence of the HO. The OGC review of FCIC regulations is on hold pending completion of the USDA reorganization of the appeals function and resolution of the question of the proper agency to provide legal advice to the HO.
1989 Large Raisin Claims, Fresno, California #05099-9-SF*	1/24/92	7,507 (2,885)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
Reinsurance Operations, Mississippi #05099-11-AT*	3/31/88	822,104 (822,104)	12,680,562 (0)	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.

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Cash Management Practices With Reinsured Companies, Phase II #05099-39-FM *	3/21/91	0	6,939,000 (3,538,000)	The audit has 14 recommendations of which 13 are complete. The remaining finding is that FCIC establish a review group to study the benefits/costs of requiring insurers to pay 50 percent of the adjusted premium when insurance coverage attaches to a crop. The FCIC Administrative Expense/Cost Task Group is reviewing this matter.
1988 Crop Insurance Contracts With Claims #05600-1-TE*	9/29/89	0	0	The audit has 19 recommendations of which 16 are complete. The remaining findings are that FCIC expand the Actual Production History (APH) reviews, establish an acceptable APH error rate level, and change the record retention period. FCIC plans to conduct an analysis of APH review results and utilize this information to derive an APH error rate standard.
FCIC Subtotal		829,611 (824,989)	19,619,562 (3,538,000)	

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FOREIGN AGRICULTURAL SERVICE				
Commodity Pricing Review #07001-2-HY *	3/25/91	63,885,638 (38,503,981)	0	The audit recommended that FAS notify exporters who included any after sales services in reported port values that they are liable for all losses to CCC in the case of a loan default. Legal determinations as a result of investigations by DOJ are delaying final action.
General Sales Manager 102 and 103 Programs #07099-2-AT*	12/11/90	0	6,219,645 (21,261)	The audit recommended that FAS recover any losses CCC may incur as a result of Iraqi State Enterprise for Tobacco and Cigarettes/Iraq's failure to repay loans guaranteed by the programs. CCC has completed action to recover proceeds from all but one tobacco exporter involved. Legal determination by DOJ is delaying final action.
Implementation of Recommendations, Market Development Activities #07099-27-HY *	12/10/91	0	0	The audit recommended that FAS decide whether to continue the Memorandum of Understanding (MOU) with the Agency for International Development (AID). If the MOU is discontinued, FAS should determine the timeframes to develop regulations to administer the Section 416 Program. Completion of final regulations is delaying final action.

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J. Aron and Company, New York, Export Operations Under CCC Programs #07099-30-HY*	4/24/92	0	0	The audit recommended that FAS take action to protect the Government's interest related to future participation by J. Aron and Company in its programs and recover amounts deemed appropriate. In March 1994, J. Aron and Company paid \$7,051,092.76 to the United States in settlement of the Government's civil claim against them. Legal determinations as a result of further investigation by DOJ are delaying final action.
FAS Subtotal		63,885,638 (38,503,981)	6,219,645 (21,261)	
FOREST SERVICE				
Monitoring of Deficit Unobligated Balances #08099-34-AT*	9/26/89	0	23,980,799 (0)	The audit has 14 recommendations of which 11 are complete. The remaining findings are that FS review revised financial management procedures to identify and to reestablish control features that may have been deleted, perform indepth financial management reviews at the accounting centers that contributed to the FY 1988 Anti-Deficiency Act violations and ascertain definitive causes and solutions for the deficit account balances, and instruct

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Timber Management Antitrust Controls #08099-119-SF*	8/28/91	0	0	<p>accounting centers and units to compare budgeted funds to actual allocations and require adjustments in obligations authority when actual funding is less than budgeted. Revision of a handbook is delaying final action.</p> <p>The audit has eight recommendations of which one is complete. The remaining findings are that FS complete development of a computerized bid-monitoring system, test the system to ensure it can be successfully implemented at the regional/forestry level, provide a schedule and procedures for system implementation, and require bid-monitoring units to update plans and submit annual reports. Completion of the computerized system is delaying final action.</p>
Stumpage Rate Adjustments on Timber Sales #08099-122-SF*	9/30/91	0	0	<p>The audit has five recommendations of which one is complete. The remaining findings are that FS complete an analysis of stumpage rate adjustments, clarify the policy and procedures regarding the treatment of monthly billing adjustments on deposits made on released units for tree measurement sales, ensure that timber sale contract provisions comply with the national requirements, limit the use of the White Woods index to sales where a significant</p>

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				portion of the timber value is young growth timber, and establish specific standards for the types of sales on which the White Woods index would be utilized. A law suit before the U.S. Claims Court is delaying final action.
Incurring Costs Audit, Tuolumne Regional Water District #08545-48-SF*	11/27/90	45,110 (11,278)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
Ashe Nursery, Brooklyn, Mississippi #08600-12-AT*	9/5/91	0	0	The audit recommended that FS establish minimum inspection requirements for onsite inspections during the seedling cycle. FS is requesting documentation from all Forests to verify that minimum inspection requirements have been met. Submittal of the documentation is delaying final action.

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Review of Heavenly Valley Limited Partnership, Special-Use Permits #08601-2-SF	10/23/92	23,304 (23,304)	0	The audit has 11 recommendations of which 5 are complete. The remaining findings are that the FS regional office seek written ratification for the past decision on the base fee clause; obtain written clarification and direction for interim fee procedures used to calculate fees; obtain an OGC opinion on the implementation of the base fee clause; document the rationale for deviating from the Generally Accepted Accounting Principles in the Graduated Rate Fee System fee calculation; and obtain clarification for the definition of market price, special promotions, and exclusive use. A review of the proposed changes is delaying final action.
FS Subtotal		68,414 (34,582)	23,980,799 (0)	
RURAL ELECTRIFICATION ADMINISTRATION				
Audit of Fiscal Year 1991 Financial Statements #09600-3-HQ	3/31/92	0	0	The audit has two recommendations of which one is complete. The remaining finding is that REA implement procedures to review the accuracy and reasonableness of financial information processed by the OFM National Finance Center (OFM/NFC). REA will develop and implement procedures upon receipt of detailed information on payables from the OFM/NFC.

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FY 1991 Management Letter #09600-5-HQ*	4/6/92	0	0	The audit has 11 recommendations of which 8 are complete. The remaining findings are that REA update accounting policies and procedures (i.e., manuals and bulletins) to reflect current procedures, modify the computer program to provide for accrued interest to be calculated and detailed to each loan, and prepare formal documentation of certain automated data processing system functions and activities. REA is continuing to devote all available resources to developing accounting policies and procedures manuals. The expected completion date of a new loan accounting system which will calculate and detail interest to each loan is expected during FY 1995. REA has documented all current systems as well as many procedures. Standards related to system design, through implementation for new systems development and maintenance, are still incomplete. REA expects to correct this deficiency through the implementation in FY 1995 of a policy of project planning and analysis through the total life cycle process.
REA Subtotal		0	0	

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SOIL CONSERVATION SERVICE				
Security Over Selected Distributed Minicomputer Systems #10099-3-FM	9/30/92	0	0	This audit recommends that SCS perform a risk analysis to identify system vulnerability, establish and implement standards to prevent and/or detect unauthorized intrusion, identify directories of files that need restricted access, ensure that site-specific security plans are prepared and the users are aware of established security procedures, include standard evaluation criteria relating to security requirements in responsible individuals' performance appraisals, and include the OIG recommendations in the evaluation of site security personnel and office managers. Development and implementation of a national set of security utilities and the Security Management Handbook are delaying final action.
Proposal for Initial Pricing, Luna Construction Company, Inc. #10545-17-KC	10/29/92	0	334,341 (334,341)	This audit questioned costs in the original proposed price for a negotiated construction contract. Final action is pending documentation from the contractor which reflects the amount of the final contract award.

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Sciaba Construction Corporation, Incurred Cost Audit #10545-35-HY	10/30/92	0	481,216 (481,216)	The audit recommended that SCS question the claim amount. The contractor has not submitted an acceptable release of claims to the contracting local organizations. Final action is delayed pending receipt of an acceptable release of claims.
Conservation Compliance Provisions #50600-3-KC	8/19/92	0	20,011,833 (20,011,833)	This audit has 21 recommendations of which 4 are complete. The remaining findings are that SCS notify personnel and producers that all applied practices must be maintained properly through the year and that planned practices must be applied as scheduled; require field office personnel to report all cases of not applying program eligibility determinations; institute controls to ensure that noncompliance cases are referred to ASCS; require analyses of the extent of producer noncompliance on a State and county basis; establish specific requirements for performance of additional status reviews; provide guidance and acceptable timeframes for practice maintenance; provide training on the Food Security Act conservation plan; strengthen controls over the automated plan narrative; develop criteria and amend procedures for conducting status reviews for individual tracts; clarify that conservation plans must be signed by all parties before

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				payment is disbursed; prescribe more documentation requirements for status reviews and for additional area and State office supervision and monitoring duties; conduct sessions to improve the awareness of changes that occur in farming operations; analyze the process for handling farm operating changes; and develop more cooperative, effective, and efficient procedures to assure timely revisions to the conservation plan for reconstituted farms. Development and issuance of the SCS National Food Security Act manual is delaying final action.
SCS Subtotal		0	20,827,390 (20,827,390)	
COOPERATIVE STATE RESEARCH SERVICE				
Small Business Innovation Research Program #13099-1-KC*	1/24/92	76,811 (76,811)	0	The audit has nine recommendations of which seven are complete. The remaining findings are that CSRS ensure that the auditee provides supporting documentation for the unsupported costs and returns funds for the disallowed costs. Since the recipient has not made payment, the OFM's NFC is assisting CSRS in the collection of the debt by referring the matter to a collection agency.

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CSRS Subtotal		76,811 (76,811)	0	
OFFICE OF OPERATIONS				
Controls and Accountability Over Office Supplies #23099-4-HY	11/6/92	0	0	The audit has seven recommendations of which two are complete. The remaining findings are that OO develop and implement procedures providing for the proper processing of inventory adjustments, program into the system the capability to provide batch balancing, ensure that procedures are followed by returning unsigned AD-14's (Requests for Purchasing Supplies) and those without charge numbers to the originator for completion, ensure that the standard operating procedures in use at the central supply stores are updated to reflect the transition to an automated inventory system, ensure that procedures to be followed by personnel at the store warehouse approximate their actual duties and responsibilities, and obtain or develop the required systems documentation for the automated inventory system. Unanticipated multiple acquisition phases in the procurement process are delaying final action. OO is in phase two of the four-phase implementation project and expects completion in September 1994.

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OO Subtotal		0	0	
FOOD SAFETY AND INSPECTION SERVICE				
Exporting Procedures #24097-1-AT*	2/5/87	0	0	The audit recommended that FSIS issue regulations to govern the Acceptable Quality Level Program for all classes of poultry expected to remain subject to Directive 918.1, "Poultry Carcass Inspection Program." FSIS plans to complete this initiative in the spring of 1994.
Labeling Policies and Approvals #24099-5-AT*	6/26/90	0	0	The audit has 18 recommendations of which 6 are complete. The remaining findings identified deficiencies in the Label Approval Process; inadequate verification and enforcement of health and nutrition related claims; and inconsistencies in classifying, labeling, and inspecting nonamenable products. FSIS is examining options for improving the efficiency and effectiveness of the prior labeling approval process. Final nutrition labeling regulations were published in January 1993 and proposed health claim regulations are under development. Planned completion of these initiatives is September 1994.

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Monitoring of Drug Residues #24600-1-AT*	9/30/91	0	0	The audit has 14 recommendations of which 11 are complete. The remaining findings are that FSIS revise its directive to delineate responsibilities and specify decisions requiring documentation; issue instructions defining a sample lot for Sulfa-On-Site testing and ensure that the procedures provide for equitable treatment; and implement in-plant sulfonamide testing at plants that slaughter cows. FSIS expects to complete the directive on Unidentifiable Microbial Inhibition and implement the revised swine sulfa program in the spring of 1994.
FSIS Subtotal		0	0	
FOOD AND NUTRITION SERVICE				
Commodity Inventory Accountability #27002-7-NY*	3/3/88	0	0	The audit recommended that FNS implement procedures for the monthly reconciliation of reports on the receipt of shipments by State distributing agencies and develop and implement computer programs to perform the reconciliation. Final action is delayed pending the development and implementation of reconciliation reports. Implementation is expected in FY 1994.

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Computer Match of Federal Employees #27006-1-TE*	3/19/91	0	0	The audit recommended that FNS review various Federal information sources to verify Federal employee and retiree income, notify State Agencies (SA's) of alternate data sources and encourage them to modify their Plans of Operation to incorporate these sources, and coordinate with the Department of Health and Human Services (DHHS) on the data. FNS is reviewing the use of Federal salary and benefit information to determine if it is appropriate as a means to collect Food Stamp Program (FSP) recipient claims. A final Income and Eligibility Verification System (IEVS) Study will be issued in FY 1994. After its review, FNS will make a determination on whether to implement the audit recommendations. This is delaying final action.
Security and Accountability Over Food Stamp Printing #27006-2-HY*	9/30/91	2,938,000 (2,938,000)	0	This audit has nine recommendations of which eight are complete. The remaining finding is that FNS recover the disallowed costs. Negotiation of a settlement agreement on the disallowed costs is delaying final action.

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Implementation of the Income Eligibility Verification System #27013-45-TE*	3/30/90	0	0	<p>The audit recommended that FNS increase efforts to ensure compliance with the IEVS, determine whether additional measures are needed to ensure that SA's clear IEVS matches within the regulatory timeframes, provide written guidance that either sets uniform IEVS targeting limits or specifies the elements that the SA's must include in their Plans of Operation, ensure that FSP applicants' households are included in the matching process of IEVS and that data sources of IEVS are not limited to the surrounding States unless it is cost effective, and review the SA's Plans of Operation to ensure that targeting procedures are proper. FNS issued a memorandum to clarify applicant matching in Texas and to restate policy on applicant matching. In September 1990, FNS awarded a contract to conduct a multiyear study of targeting strategies under the IEVS regulations. Review and evaluation of the Technical Evaluation Report is delaying final action.</p>

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Cost Effectiveness of Food Stamp Program Use of Immigration and Naturalization Service Systematic Alien Verification for Entitlements System #27013-47-TE*	9/10/92	0	5,000,000 (5,000,000)	The audit recommended that FNS stop funding the Systematic Alien Verification for Entitlements (SAVE) system administrative costs for the FSP; cancel the requirement for SA's to implement the SAVE system; grant waivers requested by States without making costly or impossible demands for data; and, for those SA's using the SAVE system, coordinate with DHHS to extend the waiver period for secondary verification of refugees to correspond with the 12-month period of redetermination. Corrective action on the SAVE system is delaying final action.
Mound Bayou School Food Authority #27023-203-AT*	1/14/92	314,549 (31,549)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
Putnam Child Development Center #27029-305-HY*	3/28/90	29,734 (4,828)	0	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
Boys Harbor, Inc. #27029-961-NY*	10/1/87	183,174 (0)	0	The audit has six recommendations of which five are complete. The remaining finding is that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to recover the overpayments attributed to self-prep sites due to unclear regulations.

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				FNS agreed to revise its regulations to clarify the acceptable method for obtaining reimbursement for meals served by a sponsor. In an effort to clarify this regulatory provision's applicability to sponsors, FNS developed regulations to remove the limitations on sponsoring organization disbursements to individual centers; these were rejected by OMB. Final action is delayed pending a determination of the appropriateness of FNS' actions to address the remaining audit findings.
Boys Harbor, Inc. #27029-1055-NY*	12/12/88	63,170 (0)	0	The audit has 22 recommendations of which 21 are complete. The remaining finding is that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to recover the overpayments attributed to self-prep sites due to unclear regulations. FNS agreed to revise its regulations to clarify the acceptable method for obtaining reimbursement for meals served by a sponsor. In an effort to clarify this regulatory provision's applicability to sponsors, FNS developed regulations to remove the limitations on sponsoring organization disbursements to individual centers; these were rejected by OMB. Final action is delayed pending a determination of the appropriateness of FNS' actions to address the remaining audit findings.

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Special Supplemental Food Program for Women, Infants and Children Administrative Costs, Alabama #27031-22-AT*	1/24/90	2,831,384 (183,353)	1,132,553 (1,132,553)	All administrative and corrective actions are complete on this audit. Final action is delayed pending receipt of documentation which identifies full disposition of the disallowed costs.
Debt Management Initiatives #27070-1-AT*	2/5/91	0	0	The audit has 15 recommendations of which 10 are complete. The remaining findings are that FNS develop procedures to classify quality control sanctions under appeal; require SA's to use private collection agencies and to develop procedures for routine referral of claims; finalize and issue proposed policy requiring the referral of unresolved FNS administered debts to collection agencies; revise regulations to allow for charging interest, penalties, and administrative costs on claims against delinquent nonparticipating households. FNS anticipates approval of State computer matching agreements to permit the interstate exchange of information on FSP households with delinquent claims. FNS has requested changes to the

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				management decisions and contracted with an auditing firm to develop debt management procedures. FNS' evaluation of the contractor's recommendations is delaying final action.
Fiscal Year 1991 Financial Statements #27070-2-HY	8/10/92	0	0	The audit has seven recommendations of which four are complete. The remaining findings are that FNS ensure that its new accounting system will produce accurate and reliable balances that will become the direct source of financial statement balances, determine the reliability of the reported FNS-209 information at the State Agency (SA) level, and require the SA's to substantiate all claims totals reported on the FNS-209. Implementation of the management decisions is scheduled in FY 1994.
Nutrition Assistance Program Block Grant, San Juan, Puerto Rico #27080-3-NY*	7/31/87	298,370 (160,000)	0	The audit has five recommendations of which four are complete. The remaining finding is that FNS require the SA to coordinate with other Federal Agencies to obtain a proper allocation of administrative funds for integrated services and require the SA to submit revised financial reports. DHHS is responsible for the allocation of costs for the SA administering the Puerto Rico Nutrition Assistance Program and has notified the SA of the necessary revisions and clarifications to its Cost Allocation Plan (CAP).

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Hurricane Hugo Activities, South Carolina #27097-4-AT*	12/26/90	0	0	The audit has four recommendations of which three are complete. The remaining finding is that FNS publish regulations on disaster procedures. Final action is delayed pending promulgation of the proposed disaster rule.
Brakebush Brothers, Inc. #27099-82-CH*	3/13/91	841,624 (166,973)	0	The audit has four recommendations of which one is complete. The remaining findings pertain to collection of the disallowed costs from the processor. The processor disputed the claim. In September 1992, Brakebush Brothers, Inc., submitted an independent report showing its costs for the production of broth and concentrated chicken fat. FNS and OIG reviewed the processor's manufacturing process and substantiating records and requested additional documentation. FNS redetermined the disallowed costs and billed the company. Reimbursement of the settlement costs by Brakebush Brothers, Inc., is delaying final action.
Incurred Cost Audit, National Analyst #27545-72-HY*	7/26/91	0	88 (88)	The audit recommended recovery of direct cost overcharges. An investigation by OIG and DOJ is delaying final action.

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Recouping Claims and Imposing Disqualification Penalties #27600-1-AT*	6/27/91	0	271,088,908 (222,880)	The audit has seven recommendations of which three are complete. The remaining findings are that FNS increase claims coverage in management evaluation reviews and emphasize to States their responsibility for collecting claims for overissuances. FNS participated in a workshop to formulate a plan of action to develop strategies for reducing backlogs. The Disqualification Reporting System (DRS) model matching agreement is approved and 53 SA's have entered into agreements to participate in the DRS matching program. Implementation is anticipated in FY 1994.
Special Supplemental Food Program for Women, Infants and Children Administrative Costs, Nationwide #27600-2-AT*	2/27/91	0	0	The audit recommended that FNS perform comprehensive internal reviews and ensure that corrective actions are taken on deficiencies, request that non-Federal audits emphasize administrative cost issues, and require the SA's to include an indepth description of their monitoring of local agency costs and review the plans for compliance with Federal requirements. FNS is revising the Expenditure Validation Review Guide. FNS' actions to develop cost allocation guidance disclosed that the problem is more complex than had been realized. Allocating costs to the Supplemental Food Program for Women, Infants and Children could not be separated from

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				allocating them to health programs administered by DHHS. Completion and distribution of the draft cost allocation guidance is anticipated in FY 1995 and will be piloted, revised, and implemented nationally in FY 1996.
Food Stamp Program, Administrative Costs, Nation-wide #27600-2-SF*	3/30/90	0	0	The audit has 10 recommendations of which 6 are complete. The remaining findings are that FNS work with DHHS to provide direction to States on the proper allocation of costs, instruct States that a waiver from OMB is required for any allocation method which does not comply with OMB Circular A-87, review the eligibility of the costs allocated between the 75-percent enhanced funding elements of the FSP and the elements eligible for the 50-percent reimbursement, and review the eligibility of the costs allocated. FNS is currently developing expenditure validation review guidance for distribution in 1995. Issuance of the guidance is delaying final action.

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Special Supplemental Food Program for Women, Infants and Children Vendor Monitoring and Food Instrument Delivery Systems #27661-2-CH*	6/15/88	0	0	The audit has 38 recommendations of which 15 are complete. The remaining findings are that FNS provide for a sufficient administrative budget, require SA's to develop methods to prevent vendors from overcharging, establish high-risk vendor investigative requirements, develop and require sanctions on vendors violating program requirements, require SA's to disqualify vendors disqualified from the FSP and issue regulations, codify a standardized appeal process, implement the Department-wide nonprocurement debarment and suspension regulations and require SA's to identify redeemed food instruments not validly issued, require SA's to use minimum matching criteria, generate listings of potential dual participation, and submit reports to FNS on the efforts to detect and prevent dual participation. Significant public and political reaction to FNS' proposed rulemaking delayed the publication of a final rule. Publication of a proposed vendor rule, with a 60-day comment period, is delaying final action.
FNS Subtotal		7,500,005 (3,484,703)	277,221,549 (6,355,521)	

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RURAL DEVELOPMENT ADMINISTRATION				
Loan to LeBossier Hotel, Bossier City, Louisiana #04099-135-TE*	9/2/88	1,340,000 (1,340,000)	0	The audit recommended that RDA request OGC to review noncompliance of loan regulations and the terms of the lender's agreement to determine enforceability of the loan note guaratee. All real and personal property has been liquidated. FDIC has settled with one of the personal guarantors and is in the process of seeking a deficiency judgment against the two remaining guarantors.
Interest Accrual on Delinquent Loans Over 90 Days #04099-143-TE*	5/22/89	0	8,378,513 (8,378,513)	The audit has three recommendations of which one is complete. The remaining findings are that RDA either amend its regulations to require estimated loss reports if the liquidation period exceeds 90 days or to determine whether liquidation is required when borrowers are delinquent three payments. Departmental clearance and publication of the revised regulations and lender's agreement are delaying final action.
RDA Subtotal		1,340,000 (1,340,000)	8,378,513 (8,378,513)	

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ANIMAL AND PLANT HEALTH INSPECTION SERVICE				
Mexico/United States Screwworm Eradication Program #33001-3-HY *	8/21/91	117,359 (0)	0	<p>The audit has 30 recommendations of which 24 are complete. The remaining findings are that APHIS determine the amount of added value tax paid during 1985 through 1989, request reimbursement of prior years' added value tax payments, return any added value tax reimbursement to respective government treasuries, develop and implement a procedure to ensure timely requests and followup for cancellation of unnecessary insurance premiums, determine the historical cost of donated and purchased assets, adjust the financial statements accordingly, conduct a physical inventory of all assets, and reconcile the amounts with the balance sheet. Extension of program activities in Central America beyond planned timeframes to complete the screwworm eradication process, lack of funds to determine historical costs of donated assets and to incorporate adjustments into financial statements, an ongoing inventory of Screwworm Commission property, and denial of reimbursement to APHIS for the prior years' added value tax payments are delaying final action.</p>

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Pest Exclusion Activities #33004-1-HY*	6/29/90	0	0	The audit has 10 recommendations of which 8 are complete. The remaining findings are that APHIS ensure that Agency officials comply with the User Fee Statute and, in consultation with OMB and the Treasury Department, either identify any requirements for repayment of the funds already used or request OMB and Treasury to consider waiving the repayment requirement and reevaluate and revise, where necessary, APHIS' directive to prevent abuse of the overtime system. The 1990 Farm Bill authorized APHIS to collect user fees for preclearance activities. APHIS uses this authority along with existing applicable accounting procedures to maintain accounts for each cooperator and to record costs and deposit revenues. OMB and Treasury informed APHIS that waiver regulations for repayment of funds previously collected do not exist. APHIS is reviewing its overtime system and directives. Regulations will be revised by FY 1995 as deemed necessary.
Administrative Costs, 1989 Medfly Eradication Project, California #33099-8-SF*	3/31/92	1,643,599 (1,643,599)	0	The audit has 19 recommendations of which 12 are complete. The remaining findings are that APHIS recover funds used for unsupportable helicopter ferrying costs, landing fees, certain insecticide applications, transportation of bait, employment of flagpersons, and an overpayment to

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APHIS Subtotal		1,760,958 (1,643,599)	0	a rental car firm and ensure that an inventory is performed to reconcile Medfly project equipment. APHIS billed the State and the rental car company. Performance of the inventory and collection of the disallowed costs are delaying final action.
OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT				
International Training Division #44010-3-HY*	9/29/89	0	0	The audit has 10 recommendations of which 9 are complete. The remaining finding is that OICD reconcile expired orders, cancel unliquidated balances, and adjust prior billings. OICD continues to work closely with the AID and other organizations on the billing and collection problems. OICD has scheduled completion in FY 1994.
Financial Management System #44060-1-HY*	7/13/90	0	0	The audit has 17 recommendations of which 13 are complete. The remaining findings are that OICD develop and issue procedures for the billings and collection operations that comply with the General Accounting Office (GAO) standards, collect unpaid prior year debt, and forward outstanding receivables to GAO that AID declines to pay. Although draft procedures are in place and are

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OICD Subtotal		0	0	currently being followed, limited resources are delaying the completion of written procedures for the billing and collection operations. OICD continues to work closely with AID and other organizations on the billing and collection problems. Completion is scheduled in FY 1994.
OFFICE OF BUDGET AND PROGRAM ANALYSIS				
Multi-Agency Compliance with the Administrative Procedures Act #50600-3-AT	8/10/92	0	0	The audit recommended that OBPA establish procedures for USDA agencies to follow when issuing directives to ensure that directives do not establish policy which is subject to the Administrative Procedure Act rulemaking requirements and decisions and that approvals made during the processing of directives are documented adequately for review. Final action was completed upon approval of the appropriate Appendix to Departmental Regulation 1512-1.
OBPA Subtotal		0	0	

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OFFICE OF INFORMATION RESOURCES MANAGEMENT				
Management and Security Over Local Area Network #58099-21-FM*	9/23/91	0	0	The audit has 29 recommendations of which 19 are complete. The remaining findings are that OIRM conduct a formal risk analysis (RA) for the Local Area Network (LAN), develop a contingency plan based on the risks identified, and ensure that the LAN Management Center has a complete and accurate LAN map. OIRM contracted with a firm to perform the RA which is now complete. OIRM will develop and implement a contingency plan on any deficiencies identified in the RA.
Security and Control of the National Computer Center #58099-22-FM*	3/31/92	0	0	The audit has four recommendations of which three are complete. The remaining finding is that OIRM include in the annual Federal Managers Financial Integrity Act and Security Plan all material internal control weaknesses identified in audit reports. The Department has contracted with the National Institute of Standards and Technology to perform a formal review of the information systems security programs. Completion of the review is delaying final action.

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OIRM Subtotal		0	0	
TOTAL		90,160,500 (53,486,538)	851,117,619 (394,040,197)	

